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UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF OREGON

In re

Arlie & Company,

Debtor.

Case No. 10-60244-aer11

OBJECTION TO GUARANTORS' AND
SHAREHOLDER'S MOTION AND JOINDER
IN DEBTOR'S MOTION FOR EXTENSION
OF TIME TO FILE AMENDED
DISCLOSURE STATEMENT AND
AMENDED PLAN OF REORGANIZATION

Hearing Date: October 20, 2010

Hearing Time: 11:00 a.m.

Hearing Location: Courtroom 5
405 East Eighth Avenue
Eugene, Oregon 97401

Umpqua Bank ("Umpqua") hereby objects to the Guarantors' and Shareholder's Motion and Joinder in Debtor's Motion for Extension of Time to File Amended Disclosure Statement and Amended Plan of Reorganization (Dkt. No. 249, filed September 10, 2010, the "Motion") filed by Suzanne Arlie and John Musumeci (the "Guarantors"). Arlie & Company

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(the “Debtor”) has also objected to the relief requested by the Guarantors (see Dkt. No. 252, filed September 15, 2010, the “Debtor’s Objection”).

Umpqua has reached a tentative agreement with the Debtor regarding the treatment of Umpqua’s claims under a plan of reorganization. Umpqua and the Debtor have discussed and agreed upon plan language that would implement the agreement. However, there are two express conditions to Umpqua’s consent to the proposed agreed treatment under a plan.

First, the agreement must be a settlement, meaning that Umpqua cannot be subject to the expense of further litigation activity. Umpqua has already responded to a Rule 2004 Order by producing over seven thousand pages of documents to the Debtor, including all of Umpqua’s loan files. Umpqua has performed a search for electronic documents, which turned up more than 7.2 million pages of potentially responsive documents using Debtor’s very broad search terms. Reviewing those documents would take thousands of hours. If Umpqua is going to settle, it wants to settle and avoid additional costs of litigation. If Umpqua is going to have litigation costs anyway, then there is no financial incentive to do a deal and Umpqua might as well proceed with a contested confirmation hearing and try to obtain a better result in court than the proposed settlement.

Second, under the terms negotiated between Umpqua and the Debtor, the Guarantors must provide a release of claims against Umpqua before the proposed compromise plan terms are effective. At the time Umpqua discussed the deal with the Debtor, it believed the Guarantors would consent to provide a release. This is because the Debtor is 100% owned by one of the Guarantors, Ms. Arlie, and the other Guarantor, Ms. Arlie’s husband Mr. Musameci, is the Executive Vice President of the Debtor. Given that Debtor is closely owned and closely controlled by the Guarantors, certainly this term is not a surprise to the Guarantors.

The Guarantors’ Motion causes Umpqua to believe that the Guarantors may not be serious about proceeding with the proposed settlement on plan terms and releases. The Guarantors state in their Motion that they require additional time to decide whether they want to

provide a release, and to conduct additional discovery. This is not acceptable to Umpqua. The terms Umpqua and the Debtor negotiated, as Debtor pointed out in Debtor's Objection, require a plan effective date of February 1, 2011. Umpqua needs to know if it will be able to avoid further litigation costs by settling this matter, or whether those costs are inevitable and it should just get ready for a contested evidentiary trial on confirmation.

Umpqua and the Debtor have agreed that the Debtor may have until October 15, 2010, to file an amended disclosure statement and plan. The Debtor filed a motion for that extension, which the Court appropriately granted. Further extensions of time are not necessary, and, if used to foment further litigation activity and discovery between Umpqua and the Guarantors, may only serve to unravel the agreement negotiated between Umpqua and Debtor.

Dated this 23rd day of September, 2010.

MILLER NASH LLP

/s/ Teresa H. Pearson

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CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of September, 2010, I electronically filed the Objection to Guarantors' and Shareholder's Motion and Joinder in Debtor's Motion for Extension of Time to File Amended Disclosure Statement and Amended Plan of Reorganization with the Clerk of the Court using the **CM/ECF** system, which will send notification of such filing to:

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I hereby further certify that on this 23rd day of September, 2010, I served the Objection to Guarantors' and Shareholder's Motion and Joinder in Debtor's Motion for

Extension of Time to File Amended Disclosure Statement and Amended Plan of Reorganization by **mailing** full, true, and correct copies thereof in a sealed, first-class postage-prepaid envelope, addressed to the attorneys and persons as shown below, the last-known office address of each attorney or person, and deposited with the United States Postal Service at Portland, Oregon, on September 23rd, 2010.

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Executed at Portland, Oregon, this 23rd day of September, 2010.

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